CETIN a.s.

Consolidated Half-Yearly Report 2021

Contents

Note:

CETIN a.s. is also hereinafter referred to as "**CETIN**" or the "**Company**". CETIN and its hereinafter specified subsidiaries are hereinafter also referred to as the "**CETIN Group**" or "**Group**".

Business overview

Factors affecting business activities and results in the first half of 2021

Telecommunications market in the Czech Republic

Significant events in the Czech telecommunications market in the first half of 2021 include the commencement of a complete upgrade of the mobile network, operated for O2 Czech Republic a.s. by CETIN a.s., to single RAN with 5G technology. T-Mobile Czech Republic a.s. and Vodafone Czech Republic a.s. also continued to increase their 5G network coverage. All three mobile operators announced their plans for 3G technology sunset, with Vodafone Czech Republic a.s. decommissioning 3G at the end of March 2021, followed by T-Mobile Czech Republic a.s. and O2 Czech Republic a.s. at the end of November 2021. Nordic Telecom announced it had returned its spectrum allotment in the 420 MHz spectrum back to the Czech Telecommunication Office ("CTO"). The Company continued its investment programme into planning and building fibre optic FTTH networks, alongside T-Mobile Czech Republic a.s. and regional providers; increasing coverage and use of FTTH networks is a long-standing trend.

The development of regulation and associated legislation

In the first half of 2021 the Lower Chamber of the Czech Parliament adopted the Amendment to the Law 127/2005 Coll. on electronic communications ("Electronic Communications Act") transposing the Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code.

Other significant legislative changes include the adoption of a new Construction and Building Code and an Amendment to the Law 289/2005 Coll. on military intelligence, which, inter alia, amends the Electronic Communications Act in cybersecurity.

Regulatory changes in the period include the entry into effect of Commission Delegated Regulation (EU) 2021/654 of 18 December 2020 supplementing Directive (EU) 2018/1972 of the European Parliament and of the Council by setting a single maximum Union-wide mobile voice termination rate and a single maximum Union-wide fixed voice termination rate.

The Company remains designated as having significant market power and complies with regulatory obligations imposed on the Company because of adopted analyses and measures. These include the obligation to provide access in the relevant markets for fixed call termination, local access at a fixed location, market for services with central access at a fixed location for mass-market products and the market for wholesale high quality data services under the terms and conditions set by the remedy decisions. A new round of analyses of the latter three markets is underway.

State policy and support of high-speed Internet access

In February 2021 the Ministry of Industry and Trade approved subsidies of total value c. CZK 1 billion for projects submitted under the 4th call within the OP PIK High Speed Internet Programme, including for Company's projects.

In March 2021, the Czech government approved the National Plan for the Development of Very High-Capacity Networks, which is a necessary precondition for allocating EU funding for electronic communications networks deployment in the current budgetary period of 2021-2027. In May 2021 the government approved the National Recovery Plan, which should, following an agreement with the European Commission, enable the use of funds from EU's Recovery and Resilience Facility of up to CZK 172 billion to modernize the economy after the Covid-19 pandemic. The estimated share of funds for the pillar encompassing electronic communication networks and ICT is 14%.

Business activities of the Company

CETIN Group is formed by CETIN a.s. and its subsidiaries CZECH TELECOM Germany GmbH i.L., CETIN Finance B.V. and CETIN služby s.r.o. In addition to its subsidiaries, the Company has registered permanent establishments also in Austria and Germany. In the first half of 2021, the decisive part of the Company's services was provided through communication networks and related assets in the Czech Republic. The permanent establishments in Germany and Austria have allowed the Company to operate access points abroad in order to provide international transit services to foreign operators. The subsidiary CETIN Finance B.V. based in the Netherlands was used to issue Eurobonds and provide financing for the Company. The subsidiary CZECH TELECOM Germany GmbH i.L is in liquidation and in the second half of 2021 is expected to be deleted from the commercial register. The subsidiary CETIN služby s.r.o. did not generate any business activity in the first half of 2021.

The Company only provides wholesale telecommunication infrastructure services to other telecommunication operators. The Company does not provide services directly to end users.

The Company divides its business activities into two segments – provision of national network services and international transit services. These two segments operate in different markets; the services are largely provided via different assets, and their business models, profitability and investment demands are fundamentally different.

The national network services primarily consist of mobile network services, mass fixed-line network services – network access service, xDSL, FTTH/FTTB, IPTV and voice service, data services, data centres and other services. Their main customers are service providers in the Czech telecommunications market. These services yield gross margins at industry standard level, which the Company reinvests in the development of network infrastructure for the provision of these services.

The international transit services primarily consist of the transmission of international voice traffic for international operators from all over the world. Considerable revenues with a very low margin that require minimum operating and capital costs are characteristic of this type of service.

A significant source of the Company's revenues and profits in the first half of 2021 were three major contracts with O2 Czech Republic a.s.: a contract on the provision of mobile network services, a contract on access to the public fixed-line telecommunication network, and a contract on the provision of data centre services. The contracts represent a long-term obligation on the part of O2 Czech Republic a.s. to use the Company's services and the Company's commitment to the agreed service levels and their improvement.

Cooperation with the companies T-Mobile Czech Republic a.s. and Vodafone Czech Republic a.s. is being extended. The successful development of these business relationships and thus the provision of wholesale electronic communications services to all major retail telecommunications operators in the Czech Republic corroborate the fact that the Company is a successful independent wholesale operator.

Commented financial results

This section provides comments on the financial results of CETIN Group in the first half of 2021. For detailed information, see the Interim consolidated Financial Statements for the financial period ended on 30 June 2021 in the following section of this Half-yearly Report.

Revenues, costs and profit

The total revenues of the CETIN Group amounted to CZK 9.0 billion in the first half of 2021. Total operating costs reported by CETIN Group were CZK 4.6 billion, with the major part represented by cost of sales in the international transit segment. CETIN Group reported a total of CZK 0.7 billion of payroll costs. Other significant cost items were the property maintenance expenses and operation and network operating and maintenance expenses.

The operating profit before impairment loss, interest, tax, depreciation and amortization (EBITDA) amounted to CZK 4.4 billion in the first half of 2021, with the predominant part of the profit coming from the national network services segment. CETIN Group's profit after tax amounted to CZK 1.2 billion in the first half of 2021.

Fixed tangible assets

Reduced by depreciation and other adjustments during the year, the net value of land, buildings and equipment required for the operations of the Company was CZK 47.6 billion as of 30 June 2021.

Cash and debt

In 2016, CETIN's subsidiary CETIN Finance B.V. issued Eurobonds in the total amount of CZK 7.9 billion and EUR 625 million, with maturities of 1 year (CZK 3 billion), 5 years (EUR 625 million), and 7 years (CZK 4.9 billion). The bonds are admitted to trading at Irish Stock Exchange. In case of CETIN Finance B.V. defaulting on the bond related liabilities, the Company will be obliged to meet the liabilities as a guarantor. The foreign exchange risk of the bonds is hedged using derivatives.

As of 30 June 2021, the Company had available undrawn committed facility of up to EUR 625 million concluded with the bank syndicate on 31 July 2020. This facility (Term and Revolving Facilities of up to EUR 625 million) shall serve as the liquidity back-up for above mentioned 6 December 2021 Eurobond refinancing. The facility terminates on 6 December 2023.

For detailed information on bonds, see Note 15 of the Notes to the Financial Statements included herein.

Profit distribution and other payments to shareholders

The General Meeting, held on 10 March 2021, approved the statutory financial statements for year ended 31 December 2020 and approved the distribution of dividends of CZK 2,536 million from profit for the year ended 31 December 2020. The first instalment in the amount of CZK 1,400 million was paid on 31 March 2021 and the second instalment in the amount of CZK 1,136 million will be paid on 31 October 2021 at the latest.

Capital expenditure

In the first half of 2021, CETIN Group acquired fixed assets in the amount of CZK 2.0 billion. These investments were mainly channelled into the development of the telecommunication infrastructure. The main investment projects included the continued modernisation of the fixed-line network with FTTC, FTTH and FTTB technology, strengthening the capacity of mobile networks and increasing its density and replacing older technologies with current ones.

Cash flows

The CETIN Group's operating cash flow amounted to CZK 4.4 billion in the first half of 2021. After working capital changes and income tax paid, the net cash flows from operating activities amounted to CZK 3.8 billion. Net cash flows used in investment activities amounted to CZK 2.0 billion, mainly comprising investments in network infrastructure development.

The cash flows used in financing activities principally consisted of dividend payment of CZK 1.4 billion, expenses of CZK 0.5 billion related to hedging of Eurobonds foreign exchange risk and expenses related to interest and lease payments of CZK 0.4 billion.

In total, the net cash position has thus decreased by CZK 0.5 billion in the first half of 2021. The cash flows from the CETIN Group's operating activities were mainly used for investment in the telecommunications infrastructure development (CZK 2.0 billion) and for payments to shareholders (CZK 1.4 billion).

Information about own shares

The Company did not acquire its own shares in the first half of 2021.

Outlook for the forthcoming period

The Company will continue focusing on further modernisation and development of the telecommunication infrastructure and on increasing the efficiency of its operations. In terms of commercial performance, the Company will prioritize activities that should not only maintain but also improve the satisfaction of existing wholesale partners as well as end users with the services provided. At the same time the Company will actively endeavour to attract new customers in both commercial segments. The Company expects to continue maintaining its position in the Czech telecommunications market through the best and most extensive networks, attractive products and services, and neutrality towards all operators in the market.

The Company expects that, after the modernization of the existing end parts of fixed-line networks, through the installation of remote DSLAMs, the main investments in the forthcoming period will be mainly into the deployment of FTTH connections. The Company will continue to invest into reinforcing the backbone network in line with the expected increase of demand for transmission capacity of the network.

In terms of operations, the Company will continue to focus on increasing the efficiency of its operating model, improving flexibility in providing services to customers and increasing their level of satisfaction.

In terms of the financial results, the Company expects its performance to be in line with the trend of the first half of 2021. The continued decline of demand for fixed-line voice services in a part of the domestic market will be compensated by the growth in revenues from fixed broadband services and IPTV services and by growing revenues from mobile network services. In the international voice transit market, the Company will compensate for the continuing decline in global international calls in the medium-term outlook by increasing its share of the European and non-European markets through a network of interconnection points, sufficient capacity and an active business policy using business know-how.

The growth of investment in the development and modernisation of critical telecommunication infrastructure that will continue going forward will not have, according to current assumptions, a significant impact on the Company’s ability to generate steady free cash flows.

Statement by the persons responsible for the half-yearly report

Juraj Šedivý, chairman of the Board of Directors of CETIN a.s.

and

Filip Cába, vice-chairman of the Board of Directors of CETIN a.s.

hereby state that, to the best of their knowledge, the consolidated half-yearly report gives a true and fair view of the financial situation, business and the results of the Company and the undertakings included in the consolidation as a whole for the past accounting period, and of the outlook on the future development of the financial situation, business and results.

Juraj Šedivý
Chairman of the Board

Martin Škop
Member of the Board

Appendix:

Interim consolidated financial statements

CETIN a.s.

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021**

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARD IAS 34 INTERIM FINANCIAL REPORTING

TABLE OF CONTENT

Page

CONSOLIDATED STATEMEMT OF TOTAL COMPREHENSIVE INCOME

		For the period ended	
In CZK million	**Note**	**30 June 2021**	**30 June 2020**
Revenues		8,869	9,631
Other income from non-telecommunication services		99	118
Expenses		(4,577)	(5,440)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)		**4,391**	**4,309**
Depreciation and amortisation (incl. depreciation of right of use assets)		(2,631)	(2,337)
Impairment loss		(30)	(49)
Operating profit (*EBIT*)		**1,730**	**1,923**
Finance income		90	13
Finance costs		(267)	(466)
Profit before tax		1,553	1,470
Corporate income tax	6	(323)	(297)
Profit for the period		**1,230**	**1,173**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation differences		-	-
Gains / (losses) on valuation differences from cash flow hedges	15	(29)	(525)
Related deferred tax		6	100
Other comprehensive income, net of tax		**(23)**	**(425)**
Total comprehensive income, net of tax		**1,207**	**748**
Profit attributable to:			
Equity holders of the Company		1,230	1,173
Total comprehensive income attributable to:			
Equity holders of the Company		1,207	748

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
In CZK million	**Note**	**30 June 2021**	**31 December 2020**
ASSETS			
Property, plant and equipment	8	47,558	48,204
Intangible assets	9	1,895	1,826
Goodwill		16	16
Right of use assets	10	4,888	4,920
Other assets	12	449	415
Non-current assets		**54,806**	**55,381**
Inventories	11	72	67
Receivables	12	4,151	3,686
Income tax receivable		-	1
Cash and cash equivalents	13	902	1,411
Current assets		**5,125**	**5,165**
Non-current assets held for sale		**9**	**-**
Total assets		**59,940**	**60,546**
EQUITY AND LIABILITIES			
Share capital		3,102	3,102
Reserves	15	65	88
Other funds		14,620	14,620
Retained earnings		1,257	2,567
Total equity		**19,044**	**20,377**
Long-term financial debts	15	4,846	4,844
Deferred tax liability		5,977	6,087
Non-current provisions for liabilities and charges	16	334	376
Lease liability	18	4,132	4,259
Non-current other liabilities, including derivative	14	1,562	1,575
Non-current liabilities		**16,851**	**17,141**
Short-term financial debts	15	16,087	16,412
Trade and other payables	14	6,714	5,555
Lease liability	18	846	809
Income tax liability		236	136
Provisions for liabilities and charges	16	162	116
Current liabilities		**24,045**	**23,028**
Total liabilities		**40,896**	**40,169**
Total equity and liabilities		**59,940**	**60,546**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2021

In CZK million	Note	Share capital	Foreign exchange translation reserve	Hedging reserve	Other capital funds	Retained earnings	Total
As of 1 January 2021		**3,102**	**(2)**	**90**	**14,620**	**2,567**	**20,377**
Profit for the period		-	-	-	-	1,230	1,230
Other comprehensive income		-	-	(23)	-	-	(23)
Total comprehensive income		**-**	**-**	**67**	**-**	**1,230**	**1,207**
Dividends declared	7	-	-	-	-	(1,136)	(1,136)
Dividends paid	7	-	-	-	-	(1,400)	(1,400)
Other distribution and changes	7	-	-	-	-	(4)	(4)
As of 30 June 2021		**3,102**	**(2)**	**67**	**14,620**	**1,257**	**19,044**

For the period ended 30 June 2020

In CZK million	Note	Share capital	Foreign exchange translation reserve	Hedging reserve	Other capital funds	Retained earnings	Total
As of 1 January 2020		3,102	**(2)**	**507**	**14,620**	**2,816**	**21,043**
Profit for the period		-	-	-	-	1,173	1,173
Other comprehensive income		-	-	(425)	-	-	(425)
Total comprehensive income		**-**	**-**	**(425)**	**-**	**1,173**	**748**
Dividends declared	7	-	-	-	-	(794)	(794)
Dividends paid	7	-	-	-	-	(2,000)	(2,000)
Other distribution and changes	7	-	-	-	-	-	-
As of 30 June 2020		**3,102**	**(2)**	**82**	**14,620**	**1,195**	**18,997**

CONSOLIDATED STATEMENT OF CASH FLOWS

In CZK million	Note	For the period ended 30 June 2021	30 June 2020
Profit for the year		1,230	1,173
Non-cash adjustments for:			
Depreciation and amortisation (incl. depreciation of right of use assets)		2,631	2,337
Impairment loss		30	49
Profit on sale of property, plant and equipment		(6)	(40)
Net finance revenues		266	223
Foreign exchange losses/gains (net)		(89)	230
Other non-cash adjustments		1	11
Tax expense		323	297
Operating cash flow before working capital changes		**4,386**	**4,280**
Working capital adjustments:			
Change in trade and other receivables		(49)	319
Change in inventories		(5)	(5)
Change in trade and other payables		(264)	(377)
Change in provisions		45	(25)
Cash flows from operating activities		**4,113**	**4,192**
Interest received		1	12
Income tax paid		(324)	(150)
Net cash flow from operating activities		**3,790**	**4,054**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		(1,966)	(2,326)
Proceeds from sales of property, plant and equipment and intangible assets		12	44
Investment/deinvestment in subsidiaries		-	(5)
Net cash used in investing activities		**(1,954)**	**(2,287)**
Cash flows from financing activities			
Interest paid		-	(2)
Interest paid from lease liability	18	(72)	(76)
Other finance charges received/paid		(27)	-
Cash collateral placed due to derivatives transactions	12	(450)	167
Dividends paid	7	(1,400)	(2,000)
Lease payments	18	(392)	(424)
Net cash used in financing activities		**(2,341)**	**(2,335)**
Net increase in cash and cash equivalents	13	**(505)**	**(568)**
Cash and cash equivalents at beginning of year		1,411	1,726
Effect of foreign exchange rate movements on cash and cash equivalents		(4)	9
Cash and cash equivalents at the period end	13	**902**	**1,167**

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CETIN a.s. Group (Group) consists of CETIN a.s. (Company) and its subsidiaries: CZECH TELECOM Germany GmbH i. L., CETIN Finance B.V. and CETIN služby s.r.o.

The subsidiary STEL-INVEST s.r.o. was merged with CETIN a.s. with effect from 1 February 2021 as part of a domestic merger. The decisive date of this merger was 1 January 2021.

CETIN a.s. was incorporated by a spin-off from the company O2 Czech Republic a.s. and registered on 1 June 2015 with decisive day of incorporation 1 January 2015.

The Company has the form of a joint stock company and is incorporated and domiciled in the Czech Republic. The address of its registered office is Českomoravská 2510/19, Praha 9, 190 00, Czech Republic.

The majority shareholder of the Company as of 30 June 2021 is CETIN Group B.V. (part of the PPF Group).

The Company is the leading telecommunications provider in the Czech market providing fully integrated services. It is understood as the access, aggregation, and backbone infrastructure, mediating the access of customers of other operators to their fixed and mobile voice, data, and video services.

The interim consolidated financial statements are not audited.

2. BASIS OF PREPARATION

These interim consolidated financial statements have been prepared in accordance with IAS 34.

Interim Financial Reporting do not include all the information required for a complete set of the annual IFRS financial statements and should be read in conjunction with the Group’s last annual consolidated financial statements for the year ended 31 December 2020. They. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The amounts shown in the consolidated financial statements are presented in millions Czech crowns (mill. CZK), if not stated otherwise.

Use of estimates, assumptions, and judgements

The Group makes forward-looking estimates and assumptions. The resulting accounting estimates might be, by definition, different from the related actual results.

Significant estimates and judgements made by the Group in accordance with application of Group’s accounting policies are consistent with estimates and assumptions used for the annual consolidated financial statements for the year ended 31 December 2020.

Seasonality

There is no seasonality in telecommunication segment. The Group´s telecommunication business is not considered seasonal.

3. SIGNIFICANT ACCOUNTING POLICIES

While preparing the financial statements for the year ended 31 December 2020, the Group took into account the amendment to IFRS 16 Leases - Rent Relief in connection with the COVID-19 pandemic. The impact of this amendment on the Group was insignificant. Although the Group records a significant number of leases, it did not receive any rent relief in connection with the COVID-19 pandemic.

EBITDA for the period ended 30 June 2021 adjusted for the IFRS 16 impact amounted to CZK 3,980 million.

The accounting policy for reporting income tax during the accounting period is described in Note 6.

New IFRS not effective as of 30 June 2021 (includes standards applicable to the Group)

Standards and amendments		**Mandatory application: annual periods beginning on or after**
IFRS 10 and IAS 28 (amendment)	Sales or contributions of assets between an investor and its associate/joint venture	postponed indefinitely
IAS 1 (amendment)	Classification of liabilities as short-term and long-term	1 January 2023
IAS 16 (amendment)	Property, plant and equipment – revenue before intended use	1 January 2022
IAS 37 (amendment)	Onerous contracts – the costs of fulfilling the contract	1 January 2022
Annual revision IFRS 2018–2020	Amendment to IFRS 9 Financial Instrument Amendment of illustrative examples to IFRS 16 Leases	1 January 2022

The Group is currently assessing the impact of the application of these standards and amendments. Based on the analyses made to date, the Group estimates that adoption of these standards and amendments will not have a significant impact on the financial statements in the initial period of application.

4. SEGMENT INFORMATION

The Group recognises two main operating segments:

- Domestic services – provision of wholesale telecommunication services (mobile, fixed and data services) to other Czech telco operators, utilising the Group's network infrastructure in the Czech Republic; this is the core business of the Group.
- International transit – routing and termination of mainly international voice traffic to international operators, utilising the points of presence outside of the Czech Republic.

The International transit business of the Group is reported separately for these reasons:

I. The nature of the international transit business is fundamentally different from the core business of the Group. In the case of the core business, the Group is selling services of its own network infrastructure in the Czech wholesale telecommunication market. In the case of the international transit business, the Group acts as a provider of interconnection between international operators, earning a small margin on the difference between the units of traffic purchased and sold.

II. The financial risk exposure of the international transit business is significantly lower compared to the core business of the Group. The impact of the potential impairment of carrying value of assets related to the international transit business is marginal as the international transit business is capital light.

III. Discrete financial information is available for the international transit business and the management assesses its performance and makes decisions about the resources to be allocated to this segment separately, with no impact on the core business of the Group.

The Group is capable of achieving substantial revenue from international transit services, while the EBITDA margins from the segment is on a completely different scale from the core business, due to the intermediary nature of transit services.

The operating results of all segments are regularly controlled and reviewed.

Period ended 30 June 2021	**Domestic services**	**International transit**	**Total reportable segments**	**Reconciling items**	**Group**
In CZK million					
Revenues	6,026	2,843	8,869	-	8,869
Other income from non-telecommunication services	-	-	-	99	99
Total costs	(1,772)	(2,706)	(4,478)	(99)	(4,577)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)	**4,254**	**137**	**4,391**	**-**	**4,391**
Total depreciation and amortization (incl. depreciation of right of use assets)	(2,623)	(8)	(2,631)	-	(2,631)
Impairment charge	(30)	-	(30)	-	(30)
Operating income (EBIT)	**1,601**	**129**	**1,730**	**-**	**1,730**
Net financial income					(177)
Profit before tax					1,553
Corporate income tax					(323)
Profit for the period					**1,230**
Capital expenditure (Fixed assets additions)	**1,723**	**5**	**1,728**	**-**	**1,728**

As of 30 June 2021					
Total assets	**59,107**	**833**	**59,940**	**-**	**59,940**
Trade and other payables	5,967	747	6,714	-	6,714
Lease liability	4,978	-	4,978	-	4,978
Other liabilities	29,204	-	29,204	-	29,204
Total liabilities	**40,149**	**747**	**40,896**	**-**	**40,896**

Period ended 30 June 2020	**Domestic services**	**International transit**	**Total reportable segments**	**Reconciling items**	**Group**
In CZK million					
Revenues	5,972	3,659	9,631	-	9,631
Other income from non-telecommunication services	-	-	-	118	118
Total costs	(1,768)	(3,554)	(5,322)	(118)	(5,440)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)	**4,204**	**105**	**4,309**	**-**	**4,309**
Total depreciation and amortization (incl. depreciation of right of use assets)	(2,331)	(6)	(2,337)	-	(2,337)
Impairment charge	(49)	-	(49)	-	(49)
Operating income (EBIT)	**1,824**	**99**	**1,923**	**-**	**1,923**
Net financial income					(453)
Profit before tax					1,470
Corporate income tax					(297)
Profit for the period					**1,173**
Capital expenditure (Fixed assets additions)	**1,659**	**1**	**1,660**	**-**	**1,660**
As of 30 June 2020					
Total assets	**58,912**	**1,583**	**60,495**	**-**	**60,495**
Trade and other payables	5,066	1,406	6,472	-	6,472
Lease liability	5,032	-	5,032	-	5,032
Other liabilities	29,994	-	29,994	-	29,994
Total liabilities	**40,092**	**1,406**	**41,498**	**-**	**41,498**

The Group presents the segments in the category of operating revenues and expenses. Finance revenues and expenses and tax expenses are presented for the whole Group.

Revenues from one customer from segment Domestic services and International transit represent more than 10% of Group's revenues. For the period ended 30 June 2021 these revenues are CZK 4,731 million (30 June 2020: CZK 4,868 million).

The following table shows the split of revenues according to the country of origin of the entity where the revenues have originated:

Revenues **In CZK million**	**Period ended** **30 June 2021**	**Period ended** **30 June 2020**
Czech Republic	6,060	6,071
Germany	304	370
Slovakia	195	291
Other EU countries	1,237	2,183
Switzerland	51	61
Other Non-EU countries	1,022	655
Total revenues	**8,869**	**9,631**

5. REVENUES

Categorization of revenue from contracts with customers

The following table shows the classification of the revenues from contracts with customers according to the main operating segments and products provided. The degree of categorization of the revenues from contracts with customers reflects the specific sector of the Group as well as the method the Group uses for reporting and monitoring revenues for internal purposes. The table also shows the total lines allowing for reconciliation of revenue to the data reported in the segment analysis according to IFRS 8 (Note 4).

Revenues **In CZK million**	**Period ended** **30 June 2021**	**Period ended** **30 June 2020**
Domestic service		
Revenues from mobile network services	2,610	2,536
Revenues from fixed network mass service	2,235	2,217
Revenues from data services	685	692
Other telecommunication revenues	496	527
	6,026	**5,972**
International transit		
Revenues from transit services	**2,843**	**3,659**
Total	**8,869**	**9,631**

Revenues from related parties are disclosed in Note 19.

The following table shows the classification of the revenues from contracts with customers according to the primary geographical market.

Revenues				**Period ended**
In CZK million				**30 June 2021**
Domestic service	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from mobile network services	2,610	-	-	2,610
Revenues from fixed network mass service	2,235	-	-	2,235
Revenues from data services	642	26	17	685
Other telecommunication revenues	477	13	6	496
	5,964	**39**	**23**	**6,026**
International transit	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from transit services	96	1,697	1,050	2,843
Total	**6,060**	**1,736**	**1,073**	**8,869**

Revenues				**Period ended**
In CZK million				**30 June 2020**
Domestic service	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from mobile network services	2,536	-	-	2,536
Revenues from fixed network mass service	2,217	-	-	2,217
Revenues from data services	650	41	1	692
Other telecommunication revenues	509	14	4	527
	5,912	**55**	**5**	**5,972**
International transit	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from transit services	159	2,789	711	3,659
Total	**6,071**	**2,844**	**716**	**9,631**

The Company does not recognise revenues from services at a point in time, all revenues are recognised over time.

6. INCOME TAX

In CZK million	Period ended 30 June 2021	Period ended 30 June 2020
Total income tax expense is made up of:		
Current income tax charge	427	319
Deferred income tax credit	(104)	(22)
Income Tax	**323**	**297**

Deferred tax was calculated at a 19% tax rate (valid for the Czech Republic) as of 30 June 2021 and 30 June 2020.

7. DIVIDEND DISTRIBUTION

In CZK million	The period ended 30 June 2021	The period ended 30 June 2020
Dividends from the profit (approved)	2,536	2,794
Distribution of other capital funds (approved)	3	3
Total	**2,539**	**2,797**

The General Meeting, held on 10 March 2021, approved the statutory financial statements for year ended 31 December 2020 and approved the distribution of dividends of CZK 2,536 million from profit for the year ended 31 December 2020. The first instalment in the amount of CZK 1,400 million was paid on 31 March 2021 and the second instalment in the amount of CZK 1,136 million will be paid on 31 October 2021 at the latest.

8. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2021 the Group acquired property, plant and equipment in the amount of CZK 1,445 million (for the period ended 30 June 2020: CZK 1,433 million) and disposed assets in residual value CZK 5 million (for the period ended 30 June 2020: CZK 18 million).

During the period ended 30 June 2021 the Group reported impairment of Property, plant and equipment in the amount of CZK 30 million (for the period ended 30 June 2020: CZK 49 million).

9. INTANGIBLE ASSETS

During the period ended 30 June 2021 the Group acquired intangible assets in the amount of CZK 279 million (for the period ended 30 June 2020: CZK 227 million) and disposed assets in residual value CZK 0 million (for the period ended 30 June 2020: CZK 0 million).

10. RIGHT OF USE ASSETS

During the period ended 30 June 2021 the additions of the right of use assets amounted to CZK 77 million (for the period ended 30 June 2020: CZK 100 million).

In the period ended 30 June 2021, the Group recognized depreciation of the right of use assets in the amount of CZK 367 million (for the period ended 30 June 2020: CZK 354 million).

The right of use assets arising from leases between related parties is disclosed in Note 19.

11. INVENTORIES

As of 30 June 2021, the Group recognized inventories impairment provision in amount of CZK 7 million (as of 31 December 2020: CZK 6 million).

12. RECEIVABLES AND OTHER ASSETS

In CZK million	**30 June 2021**	**31 December 2020**
Trade receivables from third parties (net)	1,792	1,982
Receivables with related parties (Note 19)	978	977
Prepayments	538	463
Tax receivables for indirect taxes	152	122
Advance payments	271	136
Cash collateral placed due to derivatives transactions (Note 15)	862	412
Other debtors (net)	7	9
Total receivables and other assets	**4,600**	**4,101**

Trade receivables and other debtors are stated net of bad debt provision of CZK 96 million (31 December 2020: CZK 103 million).

Receivables from related parties are disclosed in Note 19.

Cash collateral placed represents the one – side collateral of derivative transactions of the Group, see Note 15. Cash collateral placed results from Group’s obligation to place the cash collateral to the derivative transaction counterparty and for the period of the derivative transaction, where the amount of collateral is calculated from nominal and fair value of the financial derivative. Amount of collateral placed is regularly updated. As of 30 June 2021, the short-term part of the collateral placed represents CZK 862 million (31 December 2020: CZK 412 million) and long-term part CZK 0 million (31 December 2020: CZK 0 million).

13. CASH AND CASH EQUIVALENTS

In CZK million	30 June 2021	31 December 2020
Cash at bank accounts and other cash equivalents	24	23
Cash at bank accounts and other cash equivalents (inter-company)	878	1,388
Total cash and cash equivalents	**902**	**1,411**

The item Cash at bank accounts and other cash equivalents includes the balance of bank accounts of the Special Partnership Accounts of CZK 4 million (31 December 2020: CZK 14 million). These are partnerships with other business parties founded for a specific purpose, where the Group is in a leading role. The usage of bank accounts of the Special Partnership Accounts is limited by the mutual agreement.

14. TRADE AND OTHER PAYABLES

In CZK million	30 June 2021	31 December 2020
Trade creditors	4,140	4,502
Payables to the shareholders	1,136	-
VAT, other taxes and social security liability	105	113
Other deferred revenue	396	419
Employee wages and benefits	215	216
Other creditors (including financial derivatives described in Note 15)	722	305
Trade and other payables - current	**6,714**	**5,555**
Other non-current liabilities	1,562	1,575

Payables to related parties are disclosed in Note 19.

As of 30 June 2021 and 31 December 2020, other non-current liabilities were made up primarily of deferred revenues from installation fees related to the entitlement to use the spare capacity of the optical fibre.

15. FINANCIAL ASSETS AND LIABILITIES

Bonds Issued

In CZK million					30 June 2021	
Date of issue	Maturity	ISIN	Interest rate	Currency	Nominal value	Net carrying value
6 December 2016	6 December 2021	XS1529934801	1.423	EUR	15,928	16,051
6 December 2016	6 December 2023	XS1529936335	1.250	CZK	4,866	4,883
Total					**20,794**	**20,934**

In CZK million					31 December 2020	
Date of issue	**Maturity**	**ISIN**	**Interest rate**	**Currency**	**Nominal value**	**Net carrying value**
6 December 2016	6 December 2021	XS1529934801	1.423	EUR	16,403	16,407
6 December 2016	6 December 2023	XS1529936335	1.250	CZK	4,866	4,849
Total					**21,269**	**21,256**

Hedge accounting

The Group applies hedge accounting upon a cash flow hedges since December 2016.

Gains and Losses from revaluation arising from Cash Flow Hedges

In CZK million	**2021**
The fair value of the effective part of cash flow hedges on 1 January	111
Deferred tax asset/(liability) arising from revaluation gains and losses on 1 January	(21)
Total balance on 1 January 2021	**90**
Net profit/(loss) from the change in the fair value of a hedge instruments for the period	(29)
Cross currency swap	
Accumulated net profit/(loss) arising from cash flow hedges for the period recognised through profit or loss	
Cross currency swap	-
Tax effect of cash flow hedges for the period	6
The fair value of the effective part of cash flow hedges on 30 June	82
Deferred tax asset/(liability) arising from revaluation gains and losses on 30 June	(15)
Total balance on 30 June 2021	**67**

Fair values of financial instruments

The following table shows estimated values and fair values of financial assets and financial liabilities which are not stated at fair value in the statements of financial position:

In CZK million			30 June 2021			
	Level 1	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**	**Difference**
Financial assets						
Cash and cash equivalents	-	-	902	902	902	-
Receivables and other financial asset (excluding derivatives)	-	-	4,600	4,600	4,600	-
Financial liabilities						
Bonds (inc. accruals)	-	20,809	-	20,809	20,934	(125)
Trade and other payables	-	-	6,714	6,714	6,714	-

In CZK million	31 December 2020					
	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Financial assets						
Cash and cash equivalents	-	-	1,411	1,411	1,411	-
Receivables and other financial asset (excluding derivatives)	-	-	4,101	4,101	4,101	-
Financial liabilities						
Bonds (inc. accruals)	-	21,408	-	21,408	21,256	152
Trade and other payables	-	-	5,555	5,555	5,555	-

The fair value of bonds has been determined using market price as the bonds are publicly traded.

Financial instruments in fair value

In CZK million	Fair value As of 30 June 2021			Fair value As of 31 December 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Negative fair values of financial derivative instruments	-	721	-	-	300	-

The fair value of financial derivative instruments has been calculated by discounting the expected future cash flows using common market interest rates as of 30 June 2021 and 31 December 2020.

16. PROVISIONS

In CZK million	Asset retirement obligation	Other provisions	Total
As of 1 January 2021	**381**	**111**	**492**
Additions during the year	4	62	66
Utilised during the year	(3)	(14)	(17)
Change of estimate	(45)	-	(45)
As of 30 June 2021	**337**	**159**	**496**
As of 1 January 2020	367	65	432
Additions during the year	19	55	74
Utilised during the year	(17)	(52)	(69)
Release during the year	-	(10)	(10)
As of 30 June 2020	**369**	**58**	**427**

In CZK million	Asset retirement obligation	Other provisions	Total
As of 30 June 2021			
Short-term provisions	3	159	162
Long-term provisions	334	-	334
	337	**159**	**496**
As of 31 December 2020			
Short-term provisions	5	111	116
Long-term provisions	376	-	376
	381	**111**	**492**

The Group recognized a provision for estimated cost of dismantling and removing assets and restoring sites of CZK 337 million (31 December 2020: CZK 381 million). Scenarios of future costs based on management estimation, market prices, and historical costs were discounted to present value. Discount rates are paired to the expected dates of future decommissioning of assets.

Other provisions include a provision for redundancy costs of CZK 97 million (31 December 2020: CZK 100 million) and untaken holidays costs of CZK 62 million (31 December 2020: CZK 11 million). Other provisions for which the expected timing of payments is not certain are expected to be utilised within the next twelve months from the balance sheet date.

17. CONTINGENT LIABILITIES

In October 2016 the European Commission announced the commencement of the formal phase of an investigation in respect of cooperation between O2 Czech Republic a.s., the Company and T-Mobile Czech Republic a.s. regarding the mobile network sharing.

The European Commission within the proceedings examines whether this cooperation in contrary to EU antitrust rules restricts competition in the Czech Republic and harms the innovations. The Company fully cooperates with EC during the investigation.

In August 2019, European Commission sent to the companies involved so-called “statement of objections”, in which the European Commission expressed its preliminary and provisional conclusion that the network sharing restrict competition and therefore infringe the European competition rules. The statement of objections is a procedural step in the ongoing investigation, which does not predetermine the final conclusions and the decision of European Commission on the matter.

The Company is convinced that the concerns of European Commission are unfounded and the preliminary conclusions inaccurate. The conduct of the Company and other investigated parties has been in accordance with applicable legal and regulatory rules. Hence, the Company is prepared to dispel the preliminary concerns of the European Commission.

The Company submitted its respective response to the European Commission's statement of objection, explaining in more detail the concerns the European Commission raised, by end of January 2020. The investigation is still pending, and it is not certain whether or not the investigation will in the end determine that the network sharing arrangements are in breach of EU competition rules, nor whether or what sanctions or remedies will be imposed by the European Commission.

The oral hearing was held in September 2020 in this case. The proceeding conducted by European Commission is still ongoing.

18. LEASE LIABILITY AND COMMITMENTS

Lease liability

Lease liability under IFRS 16 is measured at the present value of the remaining discounted lease payments arising from leases previously classified as operating leases under IAS 17.

Amounts recognized in profit or loss:

In CZK million	**As of 30 June 2021**
Interest on lease liability	72
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1

In CZK million	**As of 30 June 2020**
Interest on lease liability	76
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1

Amounts recognized in statement of cash flows:

In CZK million	**As of 30 June 2021**
Total cash outflow for leases under IFRS 16	(464)

In CZK million	**As of 30 June 2020**
Total cash outflow for leases under IFRS 16	(500)

The lease liability arising from leases under IFRS 16 between related parties is disclosed in Note 19.

Commitments

Capital expenditure contracted but not yet recognized in the financial statements as of 30 June 2021 amounted to CZK 713 million (31 December 2020: CZK 550 million). The majority of contracted amounts relates to the telecommunication networks and service contracts.

19. RELATED PARTY TRANSACTIONS

The Group is part of PPF Group.

PPF Group invests into multiple market segments such as banking and financial services, telecommunications, real estate, retail, insurance, metal mining, agriculture and biotechnology. PPF Group's reach spans from Europe to Russia, the USA and across Asia.

Sales and purchase transactions with related parties are based on contractual agreements negotiated on normal commercial terms and conditions and at market prices. Outstanding balances of assets and liabilities are unsecured, interest-free (excl. financial assets and liabilities used for financing) and the settlement occurs either in cash or by offsetting. The financial asset balances are tested for the impairment at the balance sheet date, and no allowance was recognized.

The following transactions were carried out with related parties:

a) Transactions with related parties

	Assets/Liabilities as at	
In CZK million	**30 June 2021**	**31 December 2020**
Receivables from provided services		
Other companies in PPF Group	978	977
of which: O2 Czech Republic a.s.	850	859
Payables from purchased services		
Other companies in PPF Group	458	412
of which: O2 Czech Republic a.s.	233	246
Negative fair value of derivatives		
Other companies in PPF Group (Note 15)	721	300
Nominal value of derivatives		
Other companies in PPF Group (Note 15)	14,429	14,429
Cash equivalents		
Other companies in PPF Group (Note 13)	878	1,388

	Assets/Liabilities as at	
In CZK million	**30 June 2021**	**31 December 2020**
Dividend payable		
Shareholders	1,136	-
Right of use assets		
Other companies in PPF Group	28	29
Lease liability		
Other companies in PPF Group	28	30

	Volume of mutual transactions	
In CZK million	**Year ended 30 June 2021**	**Year ended 30 June 2020**
Sale of services (revenues and other income)		
Other companies in PPF Group	5,029	5,161
of which: O2 Czech Republic a.s.	4,731	4,868
Purchase of services		
Other companies in PPF Group	309	404
of which: O2 Czech Republic a.s.	71	79
Depreciation of Right of use assets		
Other companies in PPF Group	2	2

Receivables and payables relating to the sale and purchase of goods and services are included in trade receivables and payables described in Note 12 and 14.

The Group has no long-term liabilities that are due in more than five years.

For the period ended 30 June 2021, capital expenditures from related parties amounted to CZK 0 million (30 June 2020: CZK 3 million).

b) Remuneration and loans provided to member of board of directors, supervisory board and key management

	Period ended 30 June 2021	**Period ended 30 June 2020**
Remuneration in CZK million		
Board of directors	15	9
Supervisory board	-	-
Key management	19	20
Number of members		
Board of directors	4	3
Supervisory board	3	3
Key management	10	10

No loans were provided to members of the Board of Directors and Supervisory Board as of 30 June 2021 and 30 June 2020.

20. SUBSIDIARIES

As of 30 June 2021

	Subsidiaries	Group's interest	Cost of investment in CZK million	Country of incorporation	Activity	Method of consolidation
1.	CZECH TELECOM Germany GmbH i. L.	100%	10	Germany	Data transmission services	Full consolidation
2.	CETIN Finance B.V.	100%	56	Netherlands	Financial services	Full consolidation
3.	CETIN služby s.r.o.	100%	*-	Czech Republic	Other services	Full consolidation

*200 ths CZK

The subsidiary STEL-INVEST s.r.o. was merged with CETIN a.s. with effect from 1 February 2021 as part of a domestic merger. The decisive date of this merger was 1 January 2021.

As of 31 December 2020

	Subsidiaries	Group's interest	Cost of investment in CZK million	Country of incorporation	Activity	Method of consolidation
1.	CZECH TELECOM Germany GmbH i. L.	100%	10	Germany	Data transmission services	Full consolidation
2.	CETIN Finance B.V.	100%	56	Netherlands	Financial services	Full consolidation
3.	CETIN služby s.r.o.	100%	*-	Czech Republic	Other services	Full consolidation
4.	STEL-INVEST s.r.o.	100%	15	Czech Republic	Other services	Full consolidation

*200 ths CZK

On 11 December 2018 the Board of Director's decided to liquidate the subsidiary CZECH TELECOM Germany GmbH i.L. The process of liquidation, in accordance with the legal regulations of the individual country, is still ongoing. The expected date of finalization of the liquidation process is the second half of 2021. The provision to the purchase price of this subsidiary was created in the amount of CZK 3 million.

21. MATERIAL SUBSEQUENT EVENTS

No subsequent events have occurred after the balance sheet date with the material impact to the interim consolidated financial statements for the period ended 30 June 2021.

The interim consolidated financial statements were approved by the Board of Directors on 25 August 2021 and signed on behalf of the Company:

Juraj Šedivý
Chairman of the Board

Martin Škop
Member of the Board